

## **Unified Budget Recommendation By The Alabama Commission on Higher Education**

As prescribed by [Section 16-5-9\(b\)](#) of the Code of Alabama, the Alabama Commission on Higher Education has evaluated the budgets submitted by the senior public institutions of higher education and by the Chancellor of the Community, Junior, and Technical Colleges. At the Commission meeting on December 13, 2002, the Commission reached two sets of higher education funding recommendations for Fiscal Year 2003-2004.

The first recommendation, identified as the FY 2003-2004 Alabama Commission on Higher Education (ACHE) Standard, ([column 2 of the Executive Summary table, page A-4 & A-5](#)) is a statement of the Commission's estimate of the basic financial requirements that should be provided to support the institutions and their programs if Alabama higher education is to provide regionally competitive education to our citizens. The second recommendation, identified as the FY 2003-2004 Recommendation, ([column 6 of the Executive Summary table, page A-4 & A-5](#)) provides an overall appropriation increase of three point nine-five percent (3.95) from the Education Trust Fund.

The Commission recommends a funding level of \$1,126,097,064 for all public colleges and universities. The recommendation is based on the following:

1. Restoration to original un-prorated FY 2001 level of funding  
([Page A-4 & A-5 column 3](#));
2. PEEHIB (the state provided health insurance) and retirement increases (two-year public institutions only) and an across-the-board increase for each institution based on FY 2002-2003 appropriation levels  
([Page A-4 & A-5 column 4](#));
3. Increases based on the ACHE formula; each institution's funding level relative to the ACHE standard as calculated by the ACHE formula.  
([Page A-4 & A-5 column 5](#)).

The Commission approved these recommendations by unanimous vote of members present at the December 13, 2002 meeting. The Commission members believe that this document

reflects the best compromise possible between documented needs, as outlined in the ACHE Standard Column and the anticipated level of available revenues.

#### Alabama Commission on Higher Education (ACHE) Standard Recommendations

The ACHE Standard recommendations ([page A-10](#)), an assessment of institutional mission, are based on the following (see Section C for a more detailed explanation of the ACHE Standard):

- (1) The institutional Academic Programs, or "O&M," amounts are the products of the Commission's funding formulas for academic programs;
- (2) Facilities renewal needs are based on the Commission's formula for estimating facilities renewal allowances and backlogs;
- (3) Research and Public Service "line items" have been carried forward using an allocation scheme based on instructional formulas;
- (4) Necessary funds legally required to provide the employer's matching share of FICA and TRSA are included at levels expended the previous year; and
- (5) Capital Outlay Funds, while a continuing concern for higher education in Alabama, are not recommended for funding from normal revenue sources. The Commission continues to support special funding for the unmet capital needs of the institutions. The Commission's recommendation for capital outlay is based on the Facilities Renewal Formula referred to above.

#### Modified Funding Recommendations

Historic difficulties in proposing a Unified Budget Recommendation for higher education in Alabama are magnified by the necessity to complete the recommendation process before firm projections are made of ETF revenues and problems in resolving the gap between institutional needs and available state resources. Once again, the Commission has struggled to provide a viable recommendation within the confines of expected ETF revenues.

Facilities Renewal costs are included as a sum of the educational activities generating the need. Each institution's recommendation includes an allocation based on the Facilities

Renewal Formula applied to inventoried space. The Commission continues to endorse treatment of major capital needs for the several institutions via processes ancillary to the regular appropriations bill.

Some statewide programs that benefit all of public higher education and all citizens of the State are recommended at above average increases. These include the EPSCoR and the Alabama Student Assistance Program.

#### Special Circumstances of this Unified Budget Recommendation

It is important to note that the Commission on Higher Education continues to seek a balance between legitimate institutional needs, as reflected in the construction of the ACHE standard, and the historic gap in actual appropriations. If Higher Education receives a fair share of revenues and if the political leadership uses the recommended approach for distribution among institutions, convergence of relative needs and appropriations will occur. That goal is termed Equity in funding.

The Commission believes that the distribution incorporated in this Unified Budget Recommendation is one of many required steps to improve higher education funding in Alabama.